

BI
N.E.
1.(Amended) A method for identifying a compound that induces the formation of functional, differentiated mammalian tissue from uncommitted mammalian cells, the method comprising the steps of:

- (a) providing a test cell comprising DNA defining a morphogen-responsive transcription activating element, and, in operative association therewith, a reporter gene encoding a detectable gene product, said DNA, when present in a morphogen-responsive cell contacted with the morphogen, serving to induce transcription of said reporter gene;
- (b) exposing said test cell to a candidate compound; and
- (c) detecting expression of said detectable gene product, said expression indicating the ability of said candidate compound to induce the morphogen mediated biological effect.

SUB
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~~30. (Amended) A method of detecting a morphogen-mediated biological effect, the method comprising the step of: detecting the DNA binding of a protein that induces the formation of functional, differentiated mammalian tissue from uncommitted mammalian cells, said protein having a polypeptide chain selected from the group consisting of (a) a morphogen-inducible DNA binding protein which can interact with nucleotides 699-711, 715-724, 699-731, 682-731, 703-724 or 682-761 of SEQ ID NO: 1; (b) species or allelic variants of (a); (c) truncated amino acid sequences of any of (a) and (b) inducible by a morphogen or analog thereof under native conditions, and (d) biosynthetic or recombinant variants of any of the above.~~

NE
36. (Amended) A method for identifying a candidate compound that induces the formation of functional, differentiated mammalian tissue from uncommitted mammalian cells, the method comprising the steps of:

- (a) providing a test cell comprising DNA defining a morphogen-responsive transcription activating element, said DNA, when present in a morphogen responsive cell contacted with the morphogen, serving to induce transcription of a reporter gene operatively associated with said transcription activating element;
- (b) exposing said test cell to a candidate compound; and